

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 3345 - SB 3450

February 18, 2010

SUMMARY OF BILL: Authorizes licensed wineries to operate up to two satellite facilities that may sell wine, offer complimentary samples, and sell products currently sold at the original licensed winery. Prohibits manufacturing or bottling wine at satellite facilities. Authorizes licensed wineries to transport wine directly to satellite facilities.

ESTIMATED FISCAL IMPACT:

**Increase State Revenue - \$3,000/FY10-11/ABC Fund
\$6,000/FY11-12 and Subsequent Years/ABC Fund
\$48,500/FY10-11/General Fund
\$97,000/FY11-12 and Subsequent Years/General Fund**

Increase State Expenditures – Not Significant

**Increase Local Revenue – \$12,000/FY10-11/Permissive
\$23,900/FY11-12/Permissive**

Increase Local Expenditures – Not Significant/Permissive

Assumptions:

- According to the Alcoholic Beverage Commission (ABC), there are 40 licensed wineries in Tennessee.
- Fifty percent are expected to open two satellite facilities (40 total) over a period of two years. There will be 20 satellite facilities to open in FY10-11 and 20 to open in FY11-12.
- No additional personnel or resources will be required by the ABC.
- There will be a \$150 annual permit fee to be paid to the State ABC Fund. This will result in an increase to state revenue of \$3,000 for FY10-11 and \$6,000 per year thereafter.
- According to the Department of Revenue (DOR), there will be a five percent increase in total wine sales in FY10-11 and a ten percent increase in total sales in subsequent years.
- The Tennessee excise tax on wine is \$1.21 per gallon.
- According to DOR, there were 247,934 gallons of wine sold in 2009.
- A five percent increase in sales is an additional 12,397 gallons (247,934 x 5.0%).
- As a result, the increase to state revenue attributable to the excise tax is estimated to be \$15,000 in FY10-11 (12,397 gallons x \$1.21 = \$15,000.37).
- A 10 percent increase in sales is an additional 24,793 gallons (247,934 x 10.0%).

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- As a result, the increase to state revenue attributable to the excise tax is estimated to be \$30,000 in FY11-12 and subsequent years ($24,793 \times \$1.21 = \$29,999.53$).
- The average price of wine is \$38.60 per gallon.
- The current state sales tax rate is seven percent; the average local option sales tax rate is estimated to be 2.5 percent.
- The increase to state revenue attributable to sales tax is estimated to be \$33,500 in FY10-11 ($12,397 \text{ gallons} \times \$38.60 \times 7.0\% = \$33,497$); the increase in FY11-12 and subsequent years is estimated to be \$67,000 ($24,793 \text{ gallons} \times \$38.60 \times 7.0\% = \$66,991$).
- The increase to local revenue attributable to local option sales tax is estimated to be \$12,000 in FY10-11 ($12,397 \text{ gallons} \times \$38.60 \times 2.5\% = \$11,963$); the increase in FY11-12 and subsequent years is estimated to be \$23,900 ($24,793 \text{ gallons} \times \$38.60 \times 2.5\% = \$23,925$).
- Based on the information provided by DOR and ABC, any increase to state expenditures is expected to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

/agl